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EUROPE

1. **ITALY: Financial support of non-Communists recommended--** US Ambassador Dunn recommends that in the April Italian election campaign certain non-Communist political parties be given US financial support transmitted through non-governmental sources. Dunn stresses that the USSR has obviously concentrated its effort on direct support of the Communist Party in Italy and that unlimited funds are now being spent by the Communists in a well-organized and effective political campaign. Dunn adds that: (a) the Italian Under Secretary of the Interior has emphasized that he is more worried now by the possibility of a Communist victory through legal electoral methods than by the question of a Communist attempt to take power by force; and (b) Prime Minister De Gasperi has commented upon the wave of alarm which has swept Italy since the Communist victory in the Pescara municipal elections.

The Department of State, in reply to Dunn's recommendation, has concurred in his estimate of the urgency of the situation and has urged that every possibility be explored with De Gasperi for implementing Dunn's suggestion.

2. **FRANCE: Confidence vote over tax levy--** US Ambassador Caffery reports the general belief that the Schuman Government will take "a rather severe mauling" on the question of the exceptional tax levy because, in addition to the Communists, moderate and rightist deputies are opposing the Government stand. Caffery adds that the Government will probably be obliged to ask for another vote of confidence.

(CIA Comment: CIA believes that the Schuman Government will receive Assembly approval, although by a very slim majority, in the forthcoming vote of confidence which will probably be taken on 8 March.)

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3. **AUSTRIA: Foreign Minister's views on treaty--US Minister**
Erhardt reports that Austrian Foreign Minister Gruber is now preoccupied with the questions of (a) strengthening Austrian internal unity, and (b) developing western European collaboration. Gruber reportedly believes that, in view of the international situation, it will be possible to persuade Austrian party leaders to agree on a program which will preserve the present coalition for at least one year. Erhardt comments that Gruber is obviously now less concerned than previously with pressing Austrian treaty negotiations to an early conclusion and adds that Gruber wishes to insure Austrian defenses against "internal and external aggression, short of war, before occupation forces withdraw."

(CIA Comment: Gruber will probably persuade both major parties that the conclusion of a treaty is no longer Austria's most pressing problem. He will be instrumental also in restoring unity to the major parties.)

4. **USSR: Possible Kremlin disagreement on tactics--US Embassy**
Budapest reports that the Hungarian Prime Minister recently revealed the following impressions concerning possible disagreement within the Kremlin over Soviet tactics: (a) one group, allegedly favored by Stalin, desires to consolidate present Soviet gains and temporarily settle differences with the west; (b) the other group, led by Molotov, wants to press rapidly for greater expansion before US aid to Europe can be effective; and (c) the Molotov group feels that US preoccupation with the presidential election presents "a golden opportunity" for Soviet expansion and that Soviet action should be timed accordingly.

(CIA Comment: Several unsubstantiated rumors of divergent opinions within the Politburo over tactics in the "cold war" tend to support the Prime Minister's observations. CIA believes that a definitive decision by the Kremlin awaits: (a) the outcome of the Italian elections; and (b) more substantial indications of western, particularly US, determination to check further Communist expansion.)

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5. **FINLAND: Firm US support urged--**US Ambassador Smith in Moscow believes there may be a chance that with the firm backing of the US and other western powers, Finland might refuse Soviet demands for a mutual assistance pact. Smith therefore recommends that the US and the other western democracies assure the Finns that they will be backed "in anything short of war" if they turn down the Soviet request. Smith suggests particularly that the matter be taken up in the UN "in a very firm way." Smith concludes that the present Soviet policy of aggressive expansionism may be modified only when the USSR and countries threatened by it realize that the US is willing to support its policies "politically, economically, and, if necessary, militarily."

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